



POLICE AND FIRE RETIREMENT SYSTEM OF SPRINGFIELD, MO

840 Boonville
Springfield, Missouri 65801
Voice Mail (417) 831-8901
Box Number 44140

Minutes November 18, 2010

1. Call to Order

Homan called the meeting to order at 8:35 a.m. Minutes taken by White.

Attendance

Members	Representation	Present	Absent
Ken Homan	President	X	
John Bishop	Citizen		X
David Carter	Fire	X	
Charlie Cowherd	Citizen	X	
Jim Edwards	Police	X	
James Gillette	Citizen	X	
Josh Hartman	Citizen		X
Marilyn Hill	Citizen	X	
Ron Hoffman	Retiree	X	
Brady Stark (NV)	Police	X	
Chris Thompson (NV)	Fire	X	
James Dancy (NV)	Retiree	X	
Mary Mannix-Decker (NV)	Finance		X
Cindy Rushefsky (NV)	City Council Liaison	X	
Dan Wichmer (NV)	Law	X	
Nikki White (NV)	Secretary	X	

NV = Non-voting

2. Approval Meeting Minutes – October 14, 2010 (open session)

Carter made a motion to approve the October 14, 2010 open session minutes as presented; 2nd by Gillette. Vote all: Yes

3. Review of Applications

Retiree's Name	Application Type	Application Date	Retirement Date	Department
Kirt Bliss	Early Retirement	10/22/2010	01/06/2011	Fire

Carter made a motion to approve the application for Kirt Bliss; 2nd by Hill. Vote all: Yes.

Nikki White

4. Return of Contributions

Scott Hill	Relinquishment – 3.16 yrs.	Police	\$10,095.43
Brandon Penrose	Relinquishment – 3.91 yrs.	Police	\$9,711.94

Carter made a motion to approve the return of contributions for Hill and Penrose; 2nd by Edwards. Vote all: Yes.

Rushefsky entered the meeting at 8:40 a.m.

5. Old Business

a. Approval of Actuarial Valuation as of June 30, 2010

The revised actuarial valuation was distributed. Homan asked Gillette to review the report. Gillette said that the revision included showing the accrued sales tax monies on the report increased the funded ratio from 47% to 48.9%. This was done so that the actuarial report matched the year-end financial report with the sales tax monies being accrued.

Gillette made a motion to approve the revised Actuarial Valuation as of June 30, 2010 as presented by Milliman; 2nd by Homan. Vote all: Yes.

b. Disability Re-examinations

Homan stated that the last time the board discussed the re-examinations it was looking to Wichmer for an opinion on whether the examinations and reviews needed to be going beyond reevaluation of the injury that put them on duty disability. Wichmer said he reviewed the correspondence for the history of the pension. In 1946, the year the plan was adopted, there was a fireman who while on duty the truck flipped over and severed his leg. He went out for three years on a duty disability. The fire department said that he might be disabled from riding on the truck, but at the time the department also had an alarm operator that answered calls. They wanted to bring him back for that position, but he claimed he was disabled and not able to do the duties of a fireman. A judge said that until he can return to all of his duties, he is disabled. Wichmer said that is where “able to perform all of the duties” came from. He added that if you can’t restore the person to the duties they had when they left, then they are disabled. In his opinion, it doesn’t matter if it is a duty or a non-duty. If they can’t be restored to active service doing 100% of the duties then they are still disabled. Even though this case is from 1946, it is still binding. He said the board could always try to create new case law to change this.

Rushefsky asked how the ADA plays into this. Wichmer said the ADA would override it if the person wanted to come back and work. If they ask to come back, then the City needs to look at reasonable accommodations. Wichmer said he’s not saying not to litigate it, but he knows where we’re headed because it’s been there before at least three times. He said the pros and cons should be considered though. He said they will be older employees in not as good of shape and they will also come back at a higher rate of pay since they get credit for the years they were out. Wichmer added that it is an involved discussion that only the board can have. He can tell the board that legally it can go to court. He doesn’t know the age of the people that are being looked at, but that has to be taken into strong consideration. Homan said that has been part of the discussion all

along, but still the question to Wichmer is that if they come back with an injury that wasn't a part of their original disability do we consider that and is that now a non-duty disability? Wichmer said that they can't be restored to active duty if they can't pass the physical and do 100% of the duties. Homan added that it certainly makes sense, but the board needed Wichmer's opinion in order to know the legal side of things. Wichmer said the legal side is that they can be brought back. He said he can tell the board that he doesn't think they can be restored because that means being capable of performing 100% of their duties. He said that someone will likely bring up the 1946 case stating that we've been here before, but granted the person lost a leg and would have never been restored. Wichmer said he can't tell the board it will or will not win. All he can tell is that he doesn't know that the word "restore" can be met. Rushefsky said that is a real judgment call. She said it is going to depend on what the judge is thinking at that moment. You're never going to be able to predict that. It was added that light-duty positions now only exist on the front-end for employees temporarily injured, not for those who have come off disability. Wichmer added that you don't see any ADA claims because the benefit plan is good enough that they don't want to pursue it.

Homan stated that a claimant can be brought back, but they have to be able to do 100% of the duties. Wichmer said yes and that is why he gave the board the Klausner letter. It addressed trying to tighten up at the front end when a person is hired and setting a base line of what a person can't do at the time and why. That way you know some of their issues going into the employment. Klausner wanted a more comprehensive physical up front to set a base line for each academy, person and recruit. Wichmer said that is a discussion for the board and the departments. Wichmer said in speaking with Carl and Nancy Yendes and Howard, who were the three attorneys on the plan for 25 years, they all said that they took the view that unless a person could be restored then they couldn't be brought back. In the mid-1990's Dr. Corsolini deemed that three people were able to come back. It went to court and there never was a resolution because all three turned 50 years of age. Wichmer said the board could take some test cases if it wanted.

Homan said the board needs to determine whether to send the other half of the people under age 50 on the disabled list through the re-examination process. Gillette said that he thinks that was a due diligence requirement. He thinks the board has no choice but to put them through the process. Homan added that this has gone down many paths since that discussion last took place. Homan asked if anyone had any objection to continuing on with the disability re-examinations for the remaining people on the list. Wichmer and several others said that they think the board has to continue.

Homan made a motion that the board continues the disability re-examination process and include all of those who haven't been re-examined up to this point who are under age 50; 2nd by Gillette. Vote all: Yes.

Homan asked Hill to work with HSI and the nurse consultant to resume the process.

Wichmer exited the meeting.

c. Investment Consultant Update

Homan said that the board is in the process of working out the details on the contract with Hammond Associates. They weren't able to attend the meeting this month due to their schedule

already being full before being hired on with the Pension Board. Homan said Hammond will attend the December meeting and all of the monthly meetings going forward.

Homan reported that Segal didn't submit the third quarter report prior to the meeting. Their contract was up October 31st, but Reina will be submitting a third quarter report in the next week or so and it will be reviewed at the December meeting.

d. Administrative Director – Selection Committee Update

Homan reported that the board has enlisted a recruiter, Gene Price who is local. There will be a phone interview on Monday with someone who has some defined benefit experience. So far there hasn't been any interest from someone who has public plan experience. Homan reported that Price and he have also met with Pension Consultants, Inc. here in town. They do private pension plan consulting work. Homan introduced Robin Robeson with Pension Consultants, Inc. She attended the board meeting to learn more about the plan and the functions of the board. He added that in some ways they mesh very nicely with what the board is looking for. He said the board and their company would want to make sure this is a possible fit prior to moving forward.

Homan said this process will likely extend through the next couple of months. He added that he also talked with a recruiter that only does public plan recruitment, but they wanted x amount of dollars to do a 45-day search without guarantee of finding someone. He said the board is obviously not willing to do that until it has exhausted some other resources first. Currently, no advertising has been done, but some will be in place soon.

6. New Business

a. Audit Report – June 30, 2010 – presented by John Cummings of Davis, Lynn & Moots, P.C.

Homan introduce John Cummings, audit manager, with Davis, Lynn & Moots, P.C. Cummings passed out the audit report for June 30, 2010. He started his report by saying that the Pension Fund received a clean and unqualified opinion which is the best that can be received. He pointed out the Management's Discussion and Analysis on page 6 that was prepared by Mannix-Decker. He said this was a snap shot of what happened during the year.

Cummings reported on the following items of interest:

- Total investments as of June 30, 2010 were \$130,050,274 which is up about \$29 million from the previous year.
- The bulk of the increase for the year was in equity securities which were up about \$19.5 million compared to last year at this point.
- Total assets were \$140,645,064 which is up \$28 million compared to last year.
- The due from other funds amount of \$4,038,384 is the accounts receivable for the sales tax that is being collected.
- Overall the net assets held in trust for pension benefits were \$140,634,188 and that is up \$28,264,001.
- Total contributions for the year were \$34,689,058 which is up \$7,772,000 compared to last year. The big change is the sales tax revenue that is flowing into the plan as an employer contribution.
- Total investment income was \$11,184,522 which is up \$36 million compared to last year.

- Total additions to the plan were \$45,873,580 which is up \$43.9 million compared to last year.
- Total deductions were \$17,609,579 which is down about \$66,000 compared to last year.
- Benefit payments were up roughly \$1 million compared to last year.
- Pension refunds were \$1,237,358 which is down about \$1.2 million compared to last year.
- The increase in net assets was \$28,264,001 which is about \$44,000 better than last year.

Cummings pointed out the schedule of funding progress on page 27. He said the funded ratio is 49% which is higher than the two previous years. He added that there is now a negative net pension obligation of \$19,044,000 and two years ago that was a positive \$10,225,000. Things are rapidly shifting for the plan.

Homan asked Cummings what his company doesn't audit. He knows they don't give an opinion as far as the actuarial assumptions that the plan operates under, but asked him if there is anything else that he knows of that they don't audit that could be a potential liability for the board and should be audited from a different specialty. Cummings said that on the financial statement side, which is what they audit, they test the numbers that are showing up in the financial statements. In the course of doing the financial statement audit, they have to do documentation of the controls and processes so that they have a good understanding of how things work. They can either issue management recommendations or say that they are doing it the best it can be done. Cummings said they would like to see something better on the process of stopping payments of retirees upon their death.

Homan said it concerns him that every year it seems to be a short report indicating that everything is great. He doesn't recall any criticisms or suggestions in the past. Cummings said that as far as process go, you meet what you have to do as far as they are concerned. In the course of testing expenses, they select a sample of those receiving benefits and they go through the files and test all of the calculations. Cummings said that they have worked with Glenda Hudson on the process of verifying the death of retirees. He said that unfortunately there's not a lot more to do than what is already being done. Hudson said that she checks the paper and funeral homes for death notices daily. Cummings said that pretty much the only other option is to subscribe to each paper in which plan participants live and check them daily for death notices. He questioned whether it was worth dedicating a person's time to going through all of the newspapers. He said he hasn't written a recommendation for changing this because he doesn't know of a better process to recommend. Hudson said that a majority of the time a family member will call. Others she catches in the paper or on a funeral home website. She said there was a case several years ago in which she wasn't notified until a year after someone's death. Homan asked if she had all of the phone numbers of the plan members. She said she has most of them and that every few years she sends out an information sheet for them to update. However, some won't provide their phone number. She said there isn't a set routine of when those are sent out, but the Finance Department can start doing it on a regular basis depending on the board's recommendation.

Cowherd entered the meeting at 9:20 a.m.

Gillette mentioned a database that some plans utilize to check for deaths. It may or may not be an option for this plan. Hudson said there are some online services that provide this information, but there is of course a membership cost and she's not sure of how accurate they are. Homan added that there is some liability for a recipient who doesn't report a death. Rushefsky said that the idea of sending out a periodic statement that they have to fill out and sign is a good thing. Homan

asked if we always obtain a death certificate. Hudson said yes and if they can't provide one she can always go to the Health Department. The problem is that if a person doesn't have family or any survivors to notify the board or provide a death certificate. Hudson said that if someone is on direct deposit and their bank is notified that they have died, the bank will refuse the deposit and send it back. She said they have no control over checks. She said that over half of the plan members are on direct deposit. Hill questioned if the board could require direct deposit. Hudson said they definitely emphasize that direct deposit is the preferred method.

Hoffman made a motion to approve the Audit Report for June 30, 2010 as presented by Davis, Lynn & Moots, P.C.; 2nd by Gillette. Vote all: Yes.

Wichmer entered the meeting at 9:30 a.m.

b. Quarterly Investment Report

As stated earlier in the meeting, Segal didn't supply a regular third quarter report prior to the meeting. Reina did provide a chart that summarized the period ending September 30, 2010. Homan distributed the chart and said that the plan was up 9.8% for the quarter. Large cap stocks were up 11.3 %. Small caps were up 11.4%. Pictet was up 17.9% and domestic fixed income was up 3.1%. International fixed income was up 11.2%. There was a very strong showing on international bonds which was primarily a function of the declining dollar. Homan added that the only underperformance for the quarter was real estate. PRISA was at 3.1% compared to the index at 5.5%. It beat the index handily for the year-to-date in June and for the past year has done well after underperforming sadly in 2007 and 2008. If you compare the % of the portfolio to the asset allocation targets, you'll see that we are very much on track. The only one that we are underweight on is real estate which is at 5% and the target is 7.5%.

Homan said that if anyone would like to be on the distribution list for Hammond's email updates to let him know. He distributed the November 12, 2010 email and said that the 4th quarter is starting out in big fashion for the plan. The S&P 500 is up 5.3%, the Russell 2000 is up 6.5 % and the EAFE is up 4.7%. Homan said that a year from now the direct equity position will probably be significantly lower than it is now and will be replaced by alternatives which will provide low volatility with equity-like returns. Hedge fund strategies may also be considered.

The full third quarter report will be distributed at the December meeting.

c. Board Member Nominations

Homan said that the board takes nominations for the open positions, an election is held and the person with the most votes is the primary member and the second person with the most votes is the alternate. We have a situation with the firemen in that we only have one nomination which is Chris Thompson. Homan said that Carter would continue on, but only as an alternate. Wichmer said that the positions were staggered so that the police and fire positions were alternating to prevent complete turnover in one year. He said that Carter can decline the office and he thinks the board has the power to appoint him to an unexpired term which would be the position that Thompson would be giving up. He said that if Thompson is the only candidate then after he wins the election the board could appoint Carter to fill Thompson's unexpired term. Carter said he was hoping some other fire employees would have shown some interest in being on the board.

White questioned if the ordinance required that the voting places be at the Police Headquarters and the south side police station. Since this election only involves fire, would it make more sense for the boxes to be in more convenient locations for those voting? Hoffman said those locations were chosen because in the past we were electing both. Wichmer said that police don't vote on the fire positions so they don't have to be put there. Carter said that he thought the locations were also for security since they have a receptionist watching the materials. Wichmer suggested White contact David Hall to come up with options for the locations of the ballot boxes.

Homan said that both retiree positions are open. Finance mistakenly forgot to include the nomination notices with the October checks. Those will now go out with the November checks so everything is delayed by one month. Wichmer said the people in those positions go in to holdover as long as they are willing. Both Hoffman and Dancy agreed. Homan said that Dancy is willing to serve on the board as alternate, but doesn't want to run against Hoffman. Wichmer said that we need to see how the election goes. The board can't appoint on a new term. Otherwise it would violate the purpose of the election.

Edwards said that he thought his position expired at the end of December. Wichmer explained that he had to extend either the police or fire position by one year to prevent both voting members from expiring in the same year. Homan asked Edwards if he planned to continue. Edwards said it just depends. He said he's taking on a new position and maybe a new part-time job as well. Homan said that unless Edwards resigns, his position is up December 31, 2011. Wichmer said that if he resigns, Stark will move up and then the board will have to fill Stark's unexpired term.

Wichmer said that if the staggering is becoming a problem then the board can have Rushefsky revisit the idea with Council. Hoffman said that it could become a problem finding people in the future who are willing to be an alternate. They might question why it is worth their time if they don't ever have a vote unless the primary member is absent. Wichmer said it was developed that way because the board was in transition from a very experienced board to one that didn't have any experience. This was a way to get the alternate more experience with the board prior to moving up to the voting member.

Rushefsky exited the meeting at 9:50 a.m. and did not return.

7. Approval of Financial Statement Ending September 30, 2010

Homan reported on the following items of interest in Mannix-Decker's absence:

- The cash fund is negative \$8,700 due to the monthly difference between inflows and out flows of approximately \$250,000.
- Brandywine increased \$718,000. The return was 4.38% compared to the index return of 3.32%
- Gilliard increased \$170,000 for the month. The return was .47% compared to the index return of .11%.
- Pictet increased \$2.5 million. The return was 9.74% compared to the index return of 9.80%.
- An additional \$1 million was transferred into the Prudential account.
- SSGA Russell 2000 increased \$2.1 million. The return was 12.48% compared to the index return of 12.46%.
- An additional \$1,753,000 was transferred into the SSGA S&P 500 Index Fund. The return on the fund was 8.94%.

- Total current assets for the month were \$154,249,908, with the reduction of accounts payable in the amount of \$20,227, net assets held in trust were \$154.2 million, an increase of \$11.5 million from August.

Statement of Changes in Plan Net Assets:

- City and employee contributions totaled \$1.2 million in September.
- The Pension Sales Tax contributed \$2.7 million.
- The gain or market value was \$9,049,000 for the month. This does not include the new money added to the Prudential and the SSGA S&P 500 account.
- After deducting the \$19,476 for trading cost, the net investment income for September was \$9,029,624.
- Benefit payments, return of contributions and administrative expenses totaled \$1,457,000.

Homan asked White to contact Glenda Hudson to clarify the Informa Investment Solutions expense on the monthly expenditure detail. Hudson said that it was a typo and should have been a line item for HSI. Hudson will issue a revised report to White for permanent records and posting to the website.

Cowherd made a motion to approve the financials ending September 30, 2010; 2nd by Gillette.
Vote all: Yes.

8. Other Business

Homan mentioned that the Pension Board hasn't received any media attention lately. He questioned whether the board needed to issue some kind of public statements along the way to keep the public apprised of what the fund is doing. He said this is something that he keeps talking about with the recruiter for the administrative director position. Being the face of the plan will be a big portion of their function. The public needs to know what is going on. Wichmer said the public relations should be handled by Mike Brothers, the City's Public Information Officer. He will distribute whatever the board would like. He added that the News-Leader appears to have taken the view that they have been unnecessarily hard on the City and they are going to back off for awhile. They are also short staffed and aren't able to send someone every month since each person is taking on more beats. Wichmer said that Amos will cover something if the board wants him to, but there is a conservative effort at the paper to back off because the community said they were a very destructive influence.

Homan said the board needs to put some thought into what kind of public position to have. Do we need to work with Mike Brothers more to get some good news out? Mannix-Decker mentioned the Citizen's Sales Tax Oversight Committee. She said they meet monthly and review the sales tax as well as the change in total assets of the plan. There are nine people on the committee. She said they would be more than interested in hearing from the board. Wichmer said the paper is currently covering them so there is an opportunity for publicity. Mannix-Decker said they will soon have an active webpage with frequently asked questions. Citizens can submit questions or comments that they would like the committee to consider. Homan said he will put in a plug to get in front of that committee. He said that the good news needs to be out there in the public eye. The public needs to also understand that the problem is not necessarily fixed though. Gillette added that the unqualified audit opinion and updating the funded ratio from last month is worthy of a news release.

9. Legal Matters – Closed Session, pursuant to Section 610.021(1), RSMo.

Homan made a motion to move to closed session at 10:20 a.m. pursuant to Section 610.021(1), RSMo.; 2nd by Hill. Vote all: Yes.

Resumed open session at 11:35 a.m.

10. Adjournment

Cowherd made a motion to adjourn the meeting; 2nd by: Homan. Vote all: Yes. The meeting was adjourned at 11:35 a.m. on November 18, 2010.